

Exchange and the investing public to resolve this issue between the Company and the Exchange in this manner.

Any interested person may, on or before October 4, 1995, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, facts bearing upon whether the application has been made in accordance with the rules of the Amex and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.

Jonathan G. Katz,
Secretary.

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[Rel. No. IC-21349; File No. 812-9388]

Integrity Life Insurance Company, et al.

September 12, 1995.

AGENCY: The Securities and Exchange Commission (the "Commission").

ACTION: Notice of Application for an Order under the Investment Company Act of 1940 ("1940 Act").

APPLICANTS: Integrity Life Insurance Company ("Integrity"), Separate Account I of Integrity Life Insurance Company ("Account I"), Separate Account II of Integrity Life Insurance Company ("Account II," and collectively with Account I, the "Separate Accounts") and Integrity Financial Services, Inc. ("Services").

RELEVANT 1940 ACT SECTIONS: Exemptions requested under Section 6(c) from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act.

SUMMARY OF THE APPLICATION:

Applicants seek an order under Section 6(c) of the 1940 Act granting exemptions from Sections 26(a)(2)(C) and 27(c)(2) to the extent necessary to permit the deduction of a mortality and expense risk charge from the assets of the Separate Accounts or other Separate Accounts ("Other Accounts") established by Integrity to support certain flexible premium variable annuity policies ("Contracts") as well as other variable annuity contracts that are substantially similar in all material respects to the Contracts ("Future Contracts"). In addition, Applicants propose that Services replace Integrity

as principal underwriter for the Contracts, and that the order extend the same exemptions granted to Services, and to any other broker-dealer that may in the future serve a principal underwriter for the Contracts or Future Contracts, the same exemptions currently granted to Integrity.

FILING DATES: The application was filed on December 22, 1994, and was amended on August 2, 1995 and September 8, 1995.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving Applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m., on October 10, 1995, and should be accompanied by proof of service on Applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the requestor's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Secretary of the SEC.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, Kevin L. Howard, Esq., Integrity Life Insurance Company, 239 S. Fifth Street, 12th Floor, Louisville, Kentucky, 40202.

FOR FURTHER INFORMATION CONTACT: Pamela K. Ellis, Senior Counsel, or Wendy Finck Friedlander, Deputy Chief, at (202) 942-0670, Office of Insurance Products, Division of Investment Management.

SUPPLEMENTARY INFORMATION: Following is a summary of the application; the complete application is available for a fee from the SEC's Public Reference Branch.

Applicant's Representations

1. Integrity, a stock life insurance company, is organized in Ohio and licensed to sell life insurance and annuities in forty-four states and the District of Columbia. In addition, Integrity is licensed to sell variable contracts in forty-three states and the District of Columbia. Integrity is an indirect wholly-owned subsidiary of ARM Financial Group, Inc. ("ARM Financial"). Integrity is currently the principal underwriter of the Contracts and is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. ("NASD").

2. Account I and Account II are separate accounts established by Integrity to fund the Contracts. Both Separate Accounts are registered under the 1940 as unit investment trusts. Interests in the Contracts are registered as securities under the 1933 Act.

3. Account I has ten investment divisions ("Divisions"), each of which invests in one of the ten corresponding portfolios of the Variable Insurance Products Fund and the Variable Insurance Products Fund II, which are both part of the Fidelity Investments (R) group of companies (collectively, "Trusts"). Account II has ten Divisions, each of which invests in a corresponding portfolio of The Legends Fund, Inc. ("Legends Fund," and collectively with the Trusts, "Funds"). The Funds are diversified, open-end management investment companies registered under the 1940 Act.

4. Services, a wholly-owned subsidiary of ARM Financial, is registered with the Commission under the Securities Exchange Act of 1934 as a broker-dealer and is a member of the NASD. Applicants now seek to substitute Services for Integrity as the principal underwriter for the Contracts.¹

5. Integrity, the Separate Accounts, and Services will enter into an agreement under which Services will become principal underwriter for the Contracts. Integrity and Services propose to enter into selling agreements with broker-dealers for the distribution of the Contracts.

6. The Contracts are flexible premiums variable annuity contracts. Contract owners ("Participants") may allocate premium payments to one or more of the Separate Accounts' Divisions, or to one or more of Integrity's guaranteed periods, or both. Amounts allocated to guarantee periods accumulate on a fixed basis, except as adjusted for any applicable value adjustment.

7. A death benefit is available under the Contracts if a Participant dies prior to his or her retirement date. The amount of the death benefit is equal to the greatest of (1) the Participant's annuity value, (2) the minimum death benefit, which equals total contributions less the sum of the market value

¹ The Commission has previously granted relief permitting Integrity to deduct mortality and expense risk charges from the assets of the Separate Accounts in connection with the sales of the Contracts. See, Integrity Life Insurance Company, Investment Company Act Release No. 19120 (Nov. 24, 1992) and The Equitable Life Assurance Society of the United States, Investment Company Act Release No. 15406 (Nov. 7, 1986) ("Existing Orders"). Applicants are not requesting that the order sought herein amend or supersede the Existing Orders.

adjusted withdrawals, and (3) the Participant's highest annuity value at the beginning of any participation year, plus subsequent contributions and minus subsequent withdrawals ("Enhanced Death Benefit").

8. Retirement benefits under the Contracts may take the form of a lump sum payment or an annuity. The retirement benefits are calculated as of the retirement date selected by the Participant. If no annuity payment option is elected by the retirement date, Integrity will deem the retirement date to have been extended.

9. Certain charges and fees are assessed under the Contracts. Until annuity payments begin, Participants may transfer their Contract values among Divisions of the relevant Separate Account and the relevant guarantee periods, except that transfers to any guarantee period must be to a newly elected guarantee period at the current guaranteed interest rate. No fee currently is imposed for a Participant's first twelve transfers per participation year. Integrity reserves the right to impose a fee of up to \$25 for each transfer in excess of twelve per participation year. The transfer fee will be paid to Integrity to compensate it for the anticipated actual administrative expenses relating to transfers and is guaranteed not to increase during the life of the Contracts. In addition, Applicants reserve the right to impose a transfer fee in connection with Future Contracts of up to \$25 on transfers beginning with the first transfer of Contract values in any participation year. No charges will be assessed for transfers made under Integrity's dollar cost averaging program.

10. A contingent deferred sales charge ("CDSC") may be imposed on certain withdrawals. The amount of the CDSC decreases annually from 7% to 0% over 7 participation years. No CDSC will be applied to partial withdrawals made during any participation year that do not exceed the specified amount. In addition, Integrity may waive the CDSC in certain circumstances.

11. If a Participant's Contract value is less than \$50,000 on the last day of any participation year prior to the Participant's retirement date, Integrity charges an annual administrative charge of \$30. In addition, all Contracts are subject to a daily charge equal, on an annual basis, to .15% of the net asset value of the relevant Separate Account to cover policy administration expenses. These daily and annual fees are guaranteed for the life of the Contracts and will not exceed the cost of services to be provided over the life of the Contract.

12. Integrity imposes charges as compensation for bearing certain mortality and expense risks under the Contracts. The amount of the mortality and expense risk charges under the Contracts is equal, on an annual basis, to 1.20% (of which .35% is attributable to mortality risks and .85% to expense risks) of the daily net asset value of the relevant Separate Account. For the Future Contracts, the annual mortality and expense risk charge will not exceed an effective annual rate of 1.20% of the net asset value of any Separate Account, or of Other Accounts, attributable to such contracts.

13. Integrity assumes the mortality risk that the life expectancy of the annuitant will be greater than that assumed in the guaranteed annuity purchase rates, thus requiring Integrity to pay out more in annuity income than it had planned. Integrity assumes an additional mortality risks because of its contractual obligation to provide a minimum death benefit and an Enhanced Death Benefit prior to the annuity date. Thus, Integrity assumes the risk that it may not be able to cover its distribution expenses and that the owner may die at a time when the amount of the death benefit payable exceeds the then net surrender value of the Contracts. The expense risk assumed by Integrity is that the administration charge will be sufficient to cover the actual cost of administering the Contracts.

Applicants' Legal Analysis

1. Section 6(c) of the 1940 Act authorizes the Commission, by order upon application, to conditionally or unconditionally grant an exemption from any provision, rule or regulation of the 1940 to the extent that the exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

2. Sections 26(a)(2)(C) and 27(c)(2) of the 1940, in relevant part, prohibit a registered unit investment trust, its depositor or principal underwriter, from selling periodic payment plan certificates unless the proceeds of all payments, other than sales loads, are deposited with a qualified bank and held under arrangements which prohibit any payment to the depositor or principal underwriter except a reasonable fee, as the Commission may prescribe, for performing bookkeeping and other administrative duties normally performed by the bank itself.

3. Applicants request an order under Section 6(c) exempting them from Sections 26(a)(2)(C) and 27(c)(2) of the

1940 Act to the extent necessary to permit the deduction of the mortality and expense risk charge from the assets of the Separate Accounts or Other Accounts that issue the Contracts or Future Contracts. Applicants also propose that Services replace Integrity as principal underwriter for the Contracts, and that the order extend the same exemptions granted to Services, and to any other broker-dealer that may in the future serve a principal underwriter for the Contracts or Future Contracts, the same exemptions currently granted to Integrity. Any such principal underwriter will be wholly-owned, directly or indirectly, by ARM Financial.

4. Applicants submit that their request for an order is appropriate in the public interest. Such an order would promote competitiveness in the variable annuity contract market by eliminating the need for Integrity to file redundant exemptive applications, thereby reducing Integrity's administrative expenses and maximizing the efficient use of Integrity's resources. The delay and expense involved in having repeatedly to seek exemptive relief would impair Integrity's ability effectively to take advantage of business opportunities as these opportunities arise. Applicants further submit that the requested relief is consistent with the purposes of the 1940 Act and the protection of investors for the same reasons. If Integrity were required repeatedly to seek exemptive relief with respect to the same issues addressed in this Application, investors would not receive any benefit or additional protection thereby. Thus, Applicants believe that the requested exemptions are appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

5. Applicants represent that they have reviewed publicly-available information regarding the aggregate level of the mortality and expense risk charges under variable annuity contracts comparable to the Contracts currently being offered in the insurance industry taking into consideration such factors as current charge levels, the manner in which charges are imposed, the presence of charge-level or annuity-rate guarantees and the markets in which the Contracts will be offered. Based upon the foregoing, Applicants further represent that the mortality and expense risk charges under the Contracts are within the range of industry practice for comparable contracts. Applicants will maintain and make available to the Commission, upon request, a

memorandum outlining the methodology underlying this representation. Similarly, prior to making available any Future Contracts through the Separate Accounts or Other Accounts, Applicants will represent that the mortality and expense risk charges under any such contracts will be within the range of industry practice for comparable contracts. Applicants will maintain and make available to the Commission, upon request, a memorandum outlining the methodology underlying such representation.

6. Applicants do not believe that the contingent withdrawal charges under the Contracts will necessarily cover the expected costs of distributing the Contracts. Any "shortfall" will be made up from Integrity's general account assets which will include amounts derived from mortality and expense risk charges. Integrity has concluded that there is a reasonable likelihood that the distribution financing arrangement being used in connection with the Contracts will benefit the Separate Accounts and the Contract owners. Integrity will keep and make available to the Commission, upon request, a memorandum setting forth the basis for this representation. Similarly, Integrity will maintain and make available to the Commission, upon request, a memorandum setting forth the basis for the same representation with respect to Future Contracts offered by the Separate Accounts or by Other Accounts established by Integrity.

7. Applicants represent that the Separate Accounts and Other Accounts will invest only in a management investment company which has undertaken, in the event such company adopts a plan under Rule 12b-1 under the 1940 Act to finance distribution expenses, to have a board of directors (or trustees), a majority of whom are not "interested persons" of the management investment company within the meaning of Section 2(a)(19) of the 1940 Act, formulate and approve any plan under Rule 12b-1 to finance distribution expenses.

Conclusion

Applicants assert that, for the reasons and upon the facts set forth above, the requested exemptions from sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act to deduct the mortality and expense risk charge from the assets of the Separate Accounts or Other Accounts that issue the Contracts and/or the Future Contracts, and in connection with Contracts or Future Contracts for which broker-dealers other than Services will serve as principal underwriter, meet the

applicable statutory standards in Section 6(c) of the 1940 Act. Applicants assert that the exemptions requested are necessary and appropriate in the public interest and consistent with the protection of investors and the policies and provisions of the 1940 Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

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[Rel. No. IC-21350-812-9680]

Northstar Advantage Multi-Sector Bond Fund, et al.; Notice of Application

September 13, 1995.

AGENCY: Securities and Exchange Commission ("SEC").

ACTION: Notice of application for exemption under the Investment Company Act of 1940 (the "Act").

APPLICANTS: Northstar Advantage Multi-Sector Bond Fund (the "Acquired Fund"), a series of Northstar Advantage Trust (the "Trust"), Northstar Advantage Strategic Income Fund (the "Acquiring Fund"), NWNL Northstar Distributors, Inc. (the "Distributor"), Northstar Investment Management Corporation (the "Adviser"), ReliaStar Financial Corp. ("ReliaStar"), Northwestern National Life Insurance Company, and Northern Life Insurance Company.

RELEVANT ACT SECTIONS: Order requested under section 17(b) granting an exemption from section 17(a) and under rule 17d-1 permitting certain joint transactions under section 17(d) and rule 17d-1.

SUMMARY OF APPLICATION: Applicants seek an order to permit the Acquiring Fund to acquire all of the assets of the Acquired Fund. Because of certain affiliations, the two funds may not rely on rule 17a-8 under the Act.

FILING DATES: The application was filed on July 19, 1995, and amended on September 1, 1995.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on October 4, 1995, and should be accompanied by proof of service on the

applicants, in the form of an affidavit or, for lawyers, a certificate of service.

Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested.

Persons who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants: The Acquired Fund, the Acquiring Fund, the Distributor, and Adviser, Two Pickwick Plaza, Greenwich, Connecticut 06630; ReliaStar and Northwestern National Life Insurance Company, 20 Washington Avenue South, Minneapolis, Minnesota 55401; and Northern Life Insurance Company, 1110 Third Avenue, Seattle, Washington 98101.

FOR FURTHER INFORMATION CONTACT: James J. Dwyer, Staff Attorney, at (202) 942-0581, or Alison E. Baur, Branch Chief, at (202) 942-0564 (Office of Investment Company Regulation, Division of Investment Management).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch.

Applicants' Representations

1. The Trust and the Acquiring Fund are Massachusetts business trusts that are registered under the Act as open-end management investment companies. The Trust offers its shares in three series, one of which is the Acquired Fund. The Acquiring Fund and the Acquired Fund (each a "Fund") offer their shares in three classes. For the Acquired Fund, Class A shares are sold with a maximum front-end sales load of 4.75% and a rule 12b-1 fee of .30% annually of average net assets; Class B shares are sold with a maximum contingent deferred sales load (a "CDSL") of 5% and a 1% rule 12b-1 fee; Class C shares are sold with a 1% CDSL if redeemed within one year of purchase and a 1% rule 12b-1 fee. The three classes and expense structure for each class of the Acquiring Fund will be similar to the existing expense structure of the Acquired Fund, except that the Acquiring Fund has a lower advisory fee and is not subject to any administrative services fee.

2. On June 2, 1995, as a result of a transfer to the Adviser of the advisory business of Advest, Inc. and its affiliates, the Adviser and the Distributor became, respectively, the investment adviser and principal underwriter of the Trust and the Acquiring Fund. The Adviser and the Distributor are wholly-owned by NWNL.